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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001660

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SUBJECT: DIRECTOR URGES TIFA PROGRESS AND PROMPTS VICE
PREMIER TO ENGAGE ON FOOD IMPORTS

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Classified By: AIT Director Stephen M. Young for reasons 1.4 (b) and (d)
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¶1. (C) SUMMARY. In a July 23 meeting with Vice Premier Chiou I-Jen, the Director highlighted the importance of moving the Trade and Investment Framework Agreement (TIFA) agenda forward, and emphasized the need for progress on beef imports and pharmaceutical pricing. On maximum residue levels (MRLs), the Director pressed for a science-based approach that would facilitate U.S. meat and wheat imports, prompting Chiou to instruct Chief Trade Negotiator John Deng to devise a solution within the Taiwan bureaucracy. END SUMMARY.

¶2. (U) The meeting took place on July 23rd. The Director was joined by econoffs; Vice Premier Chiou I-Jen was accompanied by Office of Trade Negotiations Chief Negotiator John Deng.

TIFA status and next steps

¶3. (C) The Director noted U.S. satisfaction with progress made during the July 10-11 TIFA talks in Washington and highlighted the importance of maintaining momentum. He acknowledged Taiwan's progress on IPR protection, but urged continued efforts to pass pending ISP legislation and increase enforcement. The Director hailed bilateral cooperation on export controls, prompting Chiou to express his support for the overall initiative, despite complaints from Taiwan companies about the process. U.S. provision of additional background information on individual cases would facilitate Taiwan's participation in the export control program, Chiou added.

¶4. (C) The Director stressed that scheduled July 26 and August 2 digital videoconferences (DVCs) on bilateral investment issues would be enhanced by a reduction in Taiwan's proposed non-conforming measures (NCMs) list. Chiou said he has asked Taiwan agencies to narrow the list, and reiterated Taiwan hopes that the investment discussions will

result in a formal announcement to launch bilateral investment agreement (BIA) negotiations.

¶5. (C) The proposed U.S.-Korea FTA has increased pressure on Taiwan to achieve concrete results through the TIFA process, asserted Chiou. Deng stated his hope that a negotiation on the Bilateral Investment Agreement (BIA) could be launched after the August 2 DVC. The Director emphasized that, although the U.S. is willing to move ahead, a decision to launch BIA negotiations depends on review of NCMs and other outstanding investment regime issues. In Chiou's view, Congressional approval of the U.S.-Korea FTA would increase pressure on Taiwan to show concrete results on a BIA. Evoking Ambassador Bhatia's remarks during the TIFA talks, the Director urged Taiwan to provide a sectoral analysis of the U.S.-Korea FTA's expected impact, and raised the possibility of exploring additional areas for trade facilitation under the TIFA framework.

¶6. (C) Both the Director and Chiou expressed optimism that the July 31-August 2 exploratory tax agreement meetings in Washington would be fruitful. The Director stressed the importance of keeping the tax discussions as discreet as possible. He noted USG interest in working with the EU to facilitate Taiwan's accession to the plurilateral WTO Government Procurement Agreement (GPA). Chiou reiterated that nomenclature issues still make the plurilateral option difficult for Taiwan to accept.

¶7. (C) On pharmaceutical pricing, the Director said the U.S. is pleased that Taiwan has agreed in principle to establish a mandatory standard contract, but is disappointed at the lack of a firm timeline and other benchmarks for implementing that decision. Many outstanding problems remain on the pharmaceutical issue, he emphasized, and the U.S. and Taiwan must work toward resolving them. Taiwan's economic growth is accompanied by rising consumer expectations for health care,

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said the Director, and the U.S. is ready to help Taiwan meet new needs. Chiou replied that Taiwan recognizes the need to reform its pharmaceutical pricing system, both for its own interests and for those of the U.S.

Beef imports

¶8. (C) The Director reiterated U.S. interest in Taiwan taking a science-based approach to facilitate the full range of U.S. beef imports. He urged Taiwan to play a regional leadership role and become the first in Northeast Asia to allow renewed imports of U.S. bone-in beef. According to Chiou, President Chen has "a different opinion" on the beef issue, and sent Health Minister Hou to the TIFA talks in order to explain the Taiwan position. Hou should not be intimidated by political opposition on the beef issue, observed the Director, but should instead use the OIE science-based standard to allow the full range of beef imports.

Meat and wheat MRLs

¶9. (C) The Director acknowledged Taiwan's decision to notify the WTO about a new maximum residue level (MRL) for Malathion on wheat, which should be established by August 23. He stressed, however, that Taiwan does not have a scientific argument for banning U.S. meat imports containing Ractopamine. The U.S. FDA has set acceptable limits for Ractopamine, he noted, but Taiwan appears to have taken a zero tolerance approach to domestic meat while failing to establish a standard for imports. According to Deng, the decision to ban imports of meat with Ractopamine is a natural extension of the domestic ban. The Director emphasized that the U.S. FDA has determined Ractopamine to be safe within established guidelines, and urged Taiwan to follow a science-based approach and establish an appropriate standard

for meat imports containing Ractopamine.

¶10. (C) Chiou observed that the Director's request was "reasonable," and instructed Deng to coordinate within the Taiwan bureaucracy to resolve the issue. Deng explained that the Council of Agriculture (COA) has prohibited the use of Ractopamine in domestic meat since last fall, and there is reluctance to set different standards for domestic and imported meats. The Director replied that the U.S. was led to believe the COA ban would not be applied to imports and that Taiwan is now trying to enforce a ban without having first established any guidelines or standards. He urged Taiwan to make rapid progress in setting clear MRLs for a variety of commonly used hormones and additives. The Director underscored that the U.S. will continue to press the MRL issue with every concerned Taiwan agency, and called on Taiwan to resist domestic political pressure and rely on a science-based approach to address the problem.

IPR protection

¶11. (C) As the meeting ended, Deng noted that Vice Minister of Education Lu has been incorrectly criticized in the Taiwan press for bowing to U.S. pressure by increasing IPR awareness and enforcement efforts on university campuses. The Director reiterated the importance of IPR protection, noting that the issue will only increase in importance as Taiwan develops its own biotechnology and other cutting-edge economic sectors.

¶12. (C) COMMENT. Thus far, Health Minister Hou in particular appears reluctant to confront the handful of individual legislators eager to exploit food safety issues for partisan gain. Chiou's sensible perspective will help begin to resolve the problem, and we will continue to engage with the COA, the Ministry of Health, and other concerned agencies until an acceptable solution is reached. END COMMENT.
YOUNG